

ORRSTOWN FINANCIAL SERVICES INC  
Form 10-Q  
August 08, 2013  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, D.C. 20549

**FORM 10 Q**

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2013

or

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 001-34292

**ORRSTOWN FINANCIAL SERVICES, INC.**

(Exact Name of Registrant as Specified in its Charter)

**Pennsylvania**  
(State or Other Jurisdiction of

**23-2530374**  
(I.R.S. Employer

**Incorporation or Organization**

**Identification No.)**

**77 East King Street, P. O. Box 250, Shippensburg, Pennsylvania**  
(Address of Principal Executive Offices)

**17257**  
(Zip Code)

**Registrant's Telephone Number, Including Area Code: (717) 532-6114**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of accelerated filer, large accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act.). Yes  No

Number of shares outstanding of the registrant's Common Stock as of August 1, 2013: 8,090,999.

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## PART I FINANCIAL INFORMATION

## Item 1. Financial Statements

**Consolidated Balance Sheets (Unaudited)****ORRSTOWN FINANCIAL SERVICES, INC. AND ITS WHOLLY-OWNED SUBSIDIARY**

<i>(Dollars in thousands, except per share data)</i>	<b>June 30, 2013</b>	December 31, 2012*
<b>Assets</b>		
Cash and due from banks	\$ 13,795	\$ 16,933
Interest bearing deposits with banks	70,541	133,755
Cash and cash equivalents	84,336	150,688
Restricted investments in bank stock	8,954	9,804
Securities available for sale	358,482	301,970
Loans held for sale	3,145	7,862
Loans	672,755	703,739
Less: Allowance for loan losses	(20,098)	(23,166)
Net loans	655,802	688,435
Premises and equipment, net	26,335	26,782
Cash surrender value of life insurance	25,432	25,030
Intangible assets	727	832
Accrued interest receivable	3,621	3,188
Other assets	27,528	25,939
<b>Total assets</b>	<b>\$ 1,191,217</b>	<b>\$ 1,232,668</b>
<b>Liabilities</b>		
Deposits:		
Non-interest bearing	\$ 119,451	\$ 121,090
Interest bearing	916,032	963,949
Total deposits	1,035,483	1,085,039
Short-term borrowings	26,619	9,650
Long-term debt	26,782	37,470
Accrued interest and other liabilities	14,529	12,815
Total liabilities	1,103,413	1,144,974
<b>Shareholders Equity</b>		
Preferred Stock, \$1.25 par value per share; 500,000 shares authorized; no shares issued or outstanding	0	0
Common stock, no par value \$0.05205 stated value per share 50,000,000 shares authorized; 8,091,811 and 8,080,411 shares issued; 8,090,999 and 8,079,599 shares outstanding	421	421
Additional paid in capital	122,827	122,724
Retained earnings (accumulated deficit)	(32,291)	(37,259)

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Accumulated other comprehensive income (loss)	(3,133)	1,828
Treasury stock common, 812 shares, at cost	(20)	(20)
<b>Total shareholders equity</b>	<b>87,804</b>	<b>87,694</b>
<b>Total liabilities and shareholders equity</b>	<b>\$ 1,191,217</b>	<b>\$ 1,232,668</b>

\* The consolidated balance sheet at December 31, 2012 has been derived from audited financial statements at that date.  
*The Notes to Consolidated Financial Statements are an integral part of these statements.*

**Table of Contents****Consolidated Statements of Operations (Unaudited)****ORRSTOWN FINANCIAL SERVICES, INC. AND ITS WHOLLY-OWNED SUBSIDIARY**

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>	June 30,	<b>June 30,</b>	June 30,
	<b>2013</b>	2012	<b>2013</b>	2012
<i>(Dollars in thousands, except per share data)</i>				
<b>Interest and dividend income</b>				
Interest and fees on loans	<b>\$ 7,847</b>	\$ 10,044	<b>\$ 16,064</b>	\$ 21,150
Interest and dividends on investment securities				
Taxable	<b>871</b>	1,029	<b>1,812</b>	2,337
Tax-exempt	<b>221</b>	474	<b>486</b>	1,088
Short-term investments	<b>50</b>	82	<b>111</b>	143
<b>Total interest and dividend income</b>	<b>8,989</b>	11,629	<b>18,473</b>	24,718
<b>Interest expense</b>				
Interest on deposits	<b>1,139</b>	1,862	<b>2,363</b>	3,840
Interest on short-term borrowings	<b>8</b>	41	<b>14</b>	93
Interest on long-term debt	<b>141</b>	180	<b>288</b>	397
<b>Total interest expense</b>	<b>1,288</b>	2,083	<b>2,665</b>	4,330
<b>Net interest income</b>	<b>7,701</b>	9,546	<b>15,808</b>	20,388
Provision for loan losses	<b>(1,400)</b>	23,000	<b>(1,400)</b>	42,200
<b>Net interest income after provision for loan losses</b>	<b>9,101</b>	(13,454)	<b>17,208</b>	(21,812)
<b>Noninterest income</b>				
Service charges on deposit accounts	<b>1,445</b>	1,543	<b>2,859</b>	3,062
Other service charges, commissions and fees	<b>278</b>	284	<b>506</b>	598
Trust department income	<b>1,151</b>	1,116	<b>2,278</b>	2,252
Brokerage income	<b>439</b>	421	<b>1,076</b>	784
Mortgage banking activities	<b>1,105</b>	727	<b>1,857</b>	1,212
Earnings on life insurance	<b>241</b>	250	<b>480</b>	498
Other income (loss)	<b>5</b>	91	<b>(82)</b>	(14)
Investment securities gains	<b>0</b>	2,595	<b>122</b>	4,826
<b>Total noninterest income</b>	<b>4,664</b>	7,027	<b>9,096</b>	13,218
<b>Noninterest expense</b>				
Salaries and employee benefits	<b>5,387</b>	4,977	<b>11,133</b>	9,634
Occupancy expense	<b>487</b>	513	<b>1,035</b>	1,027
Furniture and equipment	<b>851</b>	727	<b>1,628</b>	1,405
Data processing	<b>135</b>	134	<b>263</b>	263
Telephone	<b>84</b>	182	<b>193</b>	342
Advertising and bank promotions	<b>274</b>	308	<b>485</b>	681
FDIC insurance	<b>626</b>	710	<b>1,291</b>	1,231
Professional services	<b>577</b>	751	<b>1,338</b>	1,552
Collection and problem loan expenses	<b>199</b>	579	<b>381</b>	